

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Jonesfield Township	County Saginaw County
Fiscal Year End March 31, 2006	Opinion Date June 7, 2006	Date Audit Report Submitted to State August 25, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|-------------------------------------|--------------------------|---|
| 1. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			Telephone Number 989-793-9830	
Street Address 3023 Davenport		City Saginaw	State MI	Zip 48602
Authorizing CPA Signature 		Printed Name Mari McKenzie		License Number 10725

Jonesfield Township
Saginaw County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2006

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Jonesfield Township
List of Elected and Appointed Officials
March 31, 2006

Township Board

Larry Fleming – Supervisor

Mildred Parker – Treasurer

Rochelle Siler – Clerk

Donald Aulbert – Trustee

Emory Emery – Trustee

Independent Auditors' Report

To the Township Board
Jonesfield Township
Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Jonesfield Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jonesfield Township as of March 31, 2006 and the respective changes in financial position, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2006 on our consideration of the Jonesfield Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jonesfield Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

June 7, 2006
Saginaw, Michigan

Jonesfield Township
Statement of Assets and Liabilities
March 31, 2006

	<u>Primary Government Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 212,720
Receivables	
Taxes	12,069
Special assessments	8,004
Due from other units of government	10,581
Capital assets, net	<u>133,329</u>
 Total assets	 <u>376,703</u>
 Liabilities	
Accounts payable	20,126
Accrued and other liabilities	3,352
Due to other units of government	8,674
Deferred revenue	805
Noncurrent liabilities	
Due within one year	15,000
Due in more than one year	<u>150,000</u>
 Total liabilities	 <u>197,957</u>
 Net Assets	
Invested in capital assets, net of related debt	(35,023)
Restricted for:	
Building construction	1,709
Unrestricted	<u>212,060</u>
 Total net assets	 <u>\$ 178,746</u>

See Accompanying Notes to Financial Statements



YEO & YEO

Jonesfield Township
Governmental Funds
Balance Sheet
March 31, 2006

		<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Police Fund</u>	<u>Trash and Recycling Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 117,649	\$ 46,034	\$ 49,037	\$ 212,720
Receivables				
Taxes	12,069	-	-	12,069
Special assessments	-	5,819	2,185	8,004
Due from other units of government	<u>10,581</u>	<u>-</u>	<u>-</u>	<u>10,581</u>
 Total assets	 <u>\$ 140,299</u>	 <u>\$ 51,853</u>	 <u>\$ 51,222</u>	 <u>\$ 243,374</u>
Liabilities				
Accounts payable	\$ -	\$ 14,443	\$ 5,683	\$ 20,126
Due to other units of government	8,674	-	-	8,674
Deferred revenue	<u>805</u>	<u>-</u>	<u>-</u>	<u>805</u>
 Total liabilities	 <u>9,479</u>	 <u>14,443</u>	 <u>5,683</u>	 <u>29,605</u>
Fund Balances				
Reserved for:				
Building construction	1,709	-	-	1,709
Unreserved, reported in:				
General fund	129,111	-	-	129,111
Special revenue funds	<u>-</u>	<u>37,410</u>	<u>45,539</u>	<u>82,949</u>
 Total fund balances	 <u>130,820</u>	 <u>37,410</u>	 <u>45,539</u>	 <u>213,769</u>
 Total liabilities and fund balances	 <u>\$ 140,299</u>	 <u>\$ 51,853</u>	 <u>\$ 51,222</u>	 <u>\$ 243,374</u>

See Accompanying Notes to Financial Statements

Jonesfield Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2006

Total fund balances for governmental funds	\$ 213,769
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	133,329
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(3,352)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(165,000)</u>
Net assets of governmental activities	<u><u>\$ 178,746</u></u>

Jonesfield Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2006

		<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Police Fund</u>	<u>Trash and Recycling Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 169,469	\$ -	\$ -	\$ 169,469
Licenses and permits	4,615	-	-	4,615
Federal grants	4,800	-	-	4,800
State revenue sharing	64,254	-	-	64,254
Other state grants	2,031	-	-	2,031
Charges for services	2,870	-	35,625	38,495
Interest income	3,523	593	950	5,066
Rental income	14,881	-	-	14,881
Other revenue	2,629	72,650	1,813	77,092
Total revenues	<u>269,072</u>	<u>73,243</u>	<u>38,388</u>	<u>380,703</u>
Expenditures				
Current				
General government	78,853	-	-	78,853
Public safety	81,860	90,306	-	172,166
Public works	53,012	-	33,110	86,122
Community and economic development	3,357	-	-	3,357
Recreation and culture	31,295	-	-	31,295
Other functions	6,467	-	-	6,467
Capital outlay	15,168	-	-	15,168
Debt service				
Principal retirement	15,000	-	-	15,000
Interest and fiscal charges	8,775	-	-	8,775
Total expenditures	<u>293,787</u>	<u>90,306</u>	<u>33,110</u>	<u>417,203</u>
Excess (deficiency) of revenues over expenditures	<u>(24,715)</u>	<u>(17,063)</u>	<u>5,278</u>	<u>(36,500)</u>
Other financing sources (uses)				
Transfers in	-	6,000	-	6,000
Transfers out	(6,000)	-	-	(6,000)
Total other financing sources and uses	<u>(6,000)</u>	<u>6,000</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(30,715)	(11,063)	5,278	(36,500)
Fund balance - beginning of year	<u>161,535</u>	<u>48,473</u>	<u>40,261</u>	<u>250,269</u>
Fund balance - end of year	<u>\$ 130,820</u>	<u>\$ 37,410</u>	<u>\$ 45,539</u>	<u>\$ 213,769</u>

See Accompanying Notes to Financial Statements

Jonesfield Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2006

Net change in fund balances - Total governmental funds \$ (36,500)

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(23,414)
Capital outlay	15,168

Expenses are recorded when incurred in the statement of activities
Accrued interest

304

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in
fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not
affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds
but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>15,000</u>
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Change in net assets of governmental activities \$ (29,442)

Jonesfield Township
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2006

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 2,202</u>
Liabilities	
Due to other units of government	<u>\$ 2,202</u>

See Accompanying Notes to Financial Statements

Jonesfield Township
Notes to Financial Statements
March 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Jonesfield Township became a Township in 1882 and is located in Saginaw County. The Township is governed by an elected five-member Board.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. *Government activities* are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Jonesfield Township
Notes to Financial Statements
March 31, 2006

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for the revenue and expenditures for the government's police operations.

The Trash and Recycling Fund provides services for residents relating to trash pick up and recycling activities. Revenues for this program come from special assessments on the tax roll from the Township's residents.

Additionally, the government reports the following:

Trust and Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then

unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$38,054,399 on which ad valorem taxes consisted of 0.9251 mills for operating purposes. This resulted in \$35,199 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in

Jonesfield Township
Notes to Financial Statements
March 31, 2006

excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Jonesfield Township

Notes to Financial Statements

March 31, 2006

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

The Township incurred expenditures in excess of budget in the General Fund and Police Fund. Excess expenditures in these funds occurred in the following areas:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund			
Recreation and culture	\$ 26,231	\$ 31,295	\$ 5,064
Other functions	5,050	6,467	1,417
Capital outlay	-	15,168	15,168
Transfers out	-	6,000	6,000
Police Fund			
Public safety	85,000	90,306	5,306

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk – State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and

mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$73,746 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Capital assets being depreciated				
Land improvements	-	10,368	-	10,368
Buildings, additions and improvements	422,016	-	-	422,016
Machinery and equipment	4,212	4,800	-	9,012
Vehicles	225,000	-	-	225,000
Total capital assets being depreciated	651,228	15,168	-	666,396
Less accumulated depreciation for				
Land improvements	-	266	-	266
Buildings, additions and improvements	419,441	305	-	419,746
Machinery and equipment	4,212	343	-	4,555
Vehicles	90,000	22,500	-	112,500
Total accumulated depreciation	513,653	23,414	-	537,067
Net capital assets being depreciated	137,575	(8,246)	-	129,329
Governmental activities capital assets, net	\$ 141,575	\$ (8,246)	\$ -	\$ 133,329

Jonesfield Township
Notes to Financial Statements
March 31, 2006

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government	\$ 914
Public safety	<u>22,500</u>
Total governmental activities	<u>\$ 23,414</u>

NOTE 5 - INTERFUND TRANSFERS

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Police Fund	<u>\$ 6,000</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unearned</u>
Primary government	
Other revenue	<u>\$ 805</u>

Jonesfield Township
Notes to Financial Statements
March 31, 2006

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
Installment purchase agreements									
Fire Truck Loan	\$ 225,000	5/1/2016	4.88%	\$ 15,000	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 165,000</u>	<u>\$ 15,000</u>

Jonesfield Township
Notes to Financial Statements
March 31, 2006

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Governmental Activities	
	Principal	Interest
2007	\$ 15,000	\$ 7,678
2008	15,000	6,947
2009	15,000	6,216
2010	15,000	5,484
2011	15,000	4,753
2012-2016	75,000	12,798
2017	15,000	366
	<u>\$ 165,000</u>	<u>\$ 44,242</u>

NOTE 8 - RELATED PARTY

Jonesfield Township has an intergovernmental service agreement with the Jonesfield - Lakefield Fire District and the Merrill District Library. The Township levies and collects property taxes on behalf of the Fire District and the Library. Those are included in the revenues and expenditures of the Township.

NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Jonesfield Township contributes to the Township of Jonesfield Group Pension Plan, which is a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by an employee and Township vest 100% upon completion of 20 months of employment. An employee who leaves employment of the Township is entitled to contributions made plus any interest earned. All elected officials of the Township are eligible to participate. Annual contributions are calculated based on a compensation class scale using each participant's annual compensation. The Township is required to pay 75% of the cost of the annual contribution, while each participant is required to contribute the remaining 25% of the contribution.

During the year the Township's required and actual contributions amounted to \$ 1,600. The employees' required and actual contributions were \$ 533 for the year.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

Jonesfield Township
Notes to Financial Statements
March 31, 2006

The Plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 151,000	\$ 151,000	\$ 157,920	\$ 6,920
Penalties and interest	-	-	2,674	2,674
Administration fee	14,500	14,500	8,875	(5,625)
Licenses and permits	3,450	3,450	4,615	1,165
Federal grants	-	-	4,800	4,800
State revenue sharing	64,000	64,000	64,254	254
State grants	-	-	2,031	2,031
Charges for services	-	-	2,870	2,870
Interest income	580	580	3,523	2,943
Rental income	12,250	12,250	14,881	2,631
Other revenue	3,890	3,890	2,629	(1,261)
Total revenues	<u>249,670</u>	<u>249,670</u>	<u>269,072</u>	<u>19,402</u>
Expenditures				
General government				
Township board	3,425	3,425	3,195	(230)
Supervisor	15,600	15,600	15,807	207
Clerk	15,250	15,250	14,469	(781)
Board of review	1,000	1,000	825	(175)
Treasurer	12,300	12,300	11,886	(414)
Assessor	1,000	1,000	1,000	-
Elections	750	750	431	(319)
Buildings and grounds	35,965	35,965	31,240	(4,725)
Total general government	<u>85,290</u>	<u>85,290</u>	<u>78,853</u>	<u>(6,437)</u>

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety				
Police	\$ 8,165	\$ 8,165	\$ 1,703	\$ (6,462)
Liquor law enforcement	-	-	2,380	2,380
Fire department	71,225	71,225	74,180	2,955
Building inspection department	<u>3,850</u>	<u>3,850</u>	<u>3,597</u>	<u>(253)</u>
Total public safety	<u>83,240</u>	<u>83,240</u>	<u>81,860</u>	<u>(1,380)</u>
Public works				
Department of public works	10,700	10,700	10,558	(142)
Drains	7,800	7,800	5,590	(2,210)
Highways, streets and bridges	<u>70,000</u>	<u>70,000</u>	<u>36,864</u>	<u>(33,136)</u>
Total public works	<u>88,500</u>	<u>88,500</u>	<u>53,012</u>	<u>(35,488)</u>
Community and economic development				
Planning	3,000	3,000	1,857	(1,143)
Zoning	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Total community and economic development	<u>4,500</u>	<u>4,500</u>	<u>3,357</u>	<u>(1,143)</u>
Recreation and culture				
Parks and recreation	4,000	4,000	8,000	4,000
Library	<u>22,231</u>	<u>22,231</u>	<u>23,295</u>	<u>1,064</u>
Total recreation and culture	<u>26,231</u>	<u>26,231</u>	<u>31,295</u>	<u>5,064</u>

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other functions				
Unallocated employee fringe benefits	\$ 5,050	\$ 5,050	\$ 6,467	\$ 1,417
Capital outlay	-	-	15,168	15,168
Debt service				
Principal retirement	15,000	15,000	15,000	-
Interest and fiscal charges	8,775	8,775	8,775	-
Total debt service	23,775	23,775	23,775	-
Transfers out	-	-	6,000	6,000
Total expenditures	316,586	316,586	299,787	(16,799)
Excess (deficiency) of revenues over expenditures	(66,916)	(66,916)	(30,715)	36,201
Fund balance - beginning of year	161,535	161,535	161,535	-
Fund balance - end of year	\$ 94,619	\$ 94,619	\$ 130,820	\$ 36,201

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
Police Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 120	\$ 120	\$ 593	\$ 473
Other revenue	72,150	72,150	72,650	500
Transfers in	-	-	6,000	6,000
	<u>72,270</u>	<u>72,270</u>	<u>79,243</u>	<u>6,973</u>
Expenditures				
Current				
Public safety	<u>85,000</u>	<u>85,000</u>	<u>90,306</u>	<u>5,306</u>
Excess (deficiency) of revenues over expenditures	(12,730)	(12,730)	(11,063)	1,667
Fund balance - beginning of year	<u>48,473</u>	<u>48,473</u>	<u>48,473</u>	-
Fund balance - end of year	<u>\$ 35,743</u>	<u>\$ 35,743</u>	<u>\$ 37,410</u>	<u>\$ 1,667</u>

Jonesfield Township
Required Supplemental Information
Budgetary Comparison Schedule
Trash and Recycling Fund
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 35,150	\$ 35,150	\$ 35,625	\$ 475
Interest income	200	200	950	750
Other revenue	-	-	1,813	1,813
	<u>35,350</u>	<u>35,350</u>	<u>38,388</u>	<u>3,038</u>
Expenditures				
Current				
Public works	<u>38,650</u>	<u>38,650</u>	<u>33,110</u>	<u>(5,540)</u>
	<u>(3,300)</u>	<u>(3,300)</u>	<u>5,278</u>	<u>8,578</u>
Excess (deficiency) of revenues over expenditures				
	<u>40,261</u>	<u>40,261</u>	<u>40,261</u>	<u>-</u>
Fund balance - beginning of year				
	<u>\$ 36,961</u>	<u>\$ 36,961</u>	<u>\$ 45,539</u>	<u>\$ 8,578</u>

Jonesfield Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2006

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Interest	Total
Governmental Activities	4.88%	2007	\$ 15,000	\$ 3,656	\$ 4,022	\$ 22,678
Fire Truck Loan	4.88%	2008	15,000	3,291	3,656	21,947
Amount of issue - \$225,000	4.88%	2009	15,000	2,925	3,291	21,216
	4.88%	2010	15,000	2,559	2,925	20,484
	4.88%	2011	15,000	2,194	2,559	19,753
	4.88%	2012	15,000	1,828	2,194	19,022
	4.88%	2013	15,000	1,463	1,828	18,291
	4.88%	2014	15,000	197	1,463	16,660
	4.88%	2015	15,000	731	1,097	16,828
	4.88%	2016	15,000	366	731	16,097
	4.88%	2017	15,000	-	366	15,366
			<u>\$ 165,000</u>	<u>\$ 19,210</u>	<u>\$ 24,132</u>	<u>\$ 208,342</u>

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Township Board
Jonesfield Township
Merrill, Michigan

We have audited the financial statements of the governmental activities and each major fund of Jonesfield Township as of and for the year ended March 31, 2006, which collectively comprise Jonesfield Township's basic financial statements and have issued our report thereon dated June 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Jonesfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jonesfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Jonesfield Township, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

June 7, 2006
Saginaw, Michigan



3023 Davenport
Saginaw, MI 48602
Phone (989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

August 1, 2006

To the Township Board
Jonesfield Township

In planning and performing our audit of the financial statements of Jonesfield Township for the year ended March 31, 2006, we considered the Township's internal control system to determine our auditing procedures for the purposes of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment regarding this matter. This letter does not affect our report dated June 7, 2006, on the financial statements of Jonesfield Township.

FIXED ASSET POLICY

During our audit we noted there are no established guidelines concerning which property and equipment acquisitions are to be capitalized. We recommend the Board establish a policy whereby all property and equipment purchases over a minimum threshold and having a useful life of one year or more are capitalized.

We will review the status of this comment during our next audit engagement. We have already discussed the comment and suggestion with Township personnel. We appreciate the opportunity to provide services to the Township. Should you have any questions on the above, please feel free to contact us.

Very truly yours,

YEO & YEO, P.C.
CPAs and Business Consultants